

REPORT OF EXAMINATION

OF

ALFA LIFE INSURANCE CORPORATION

MONTGOMERY, ALABAMA

**as of
December 31, 2016**

TABLE OF CONTENTS

EXAMINER'S AFFIDAVIT	iii
SCOPE OF EXAMINATION	2
ORGANIZATION AND HISTORY	4
MANAGEMENT AND CONTROL	5
Stockholders	5
Board of Directors.....	5
Officers	5
Audit Committee	7
Conflict of Interest	7
Dividends to Policyholders.....	7
CORPORATE RECORDS	7
HOLDING COMPANY & AFFILIATE MATTERS	8
Holding Company Registration	8
Dividends to Stockholders	8
Management and Service Agreements	8
<i>Management and Operating Agreement</i>	8
<i>Consolidated Tax Allocation Agreement</i>	9
Organizational Chart	9
PENSION AND STOCK OWNERSHIP	11
SCHEDULE OF SPECIAL DEPOSITS	11
FINANCIAL CONDITION / GROWTH OF THE COMPANY	11
MARKET CONDUCT ACTIVITIES	11
Plan of Operation	11
Territory	12
Marketing and Sales	12
Claims	12
Complaints.....	13
Producers' Licensing	13
Underwriting and Rating.....	14
Privacy	14
REINSURANCE	15
Reinsurance Assumed	15
Reinsurance Ceded	15

ACCOUNTS AND RECORDS	20
FINANCIAL STATEMENT INDEX	21
NOTES TO FINANCIAL STATEMENTS	26
CONTINGENT LIABILITIES AND PENDING LITIGATION	26
SUBSEQUENT EVENTS.....	26
COMPLIANCE WITH PREVIOUS RECOMMENDATIONS	27
COMMENTS AND RECOMMENDATIONS.....	28
CONCLUSION.....	29

EXAMINER'S AFFIDAVIT

STATE OF ALABAMA COUNTY OF MONTGOMERY

Rhonda B. Ball, CFE, being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Alfa Life Insurance Corporation.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Alfa Life Insurance Corporation was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.



Rhonda B. Ball

Examiner-in-Charge

Subscribed and sworn before me by Rhonda B. Ball on this 2nd day of March 2018.

(SEAL)



(Signature of Notary Public)

My commission expires 7/1/2020



KAY IVEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

STATE OF ALABAMA
Department of Insurance
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DEPUTY COMMISSIONER
CHARLES M. ANGELL

CHIEF OF STAFF
MARK FOWLER

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
SCOTT F. PILGREEN

GENERAL COUNSEL
REYN NORMAN

March 2, 2018

Jim L. Ridling, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Ridling:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

Alfa Life Insurance Corporation
Montgomery, Alabama

at its home office at 2108 East South Boulevard, Montgomery, Alabama 36116, as of December 31, 2016. The report of examination is submitted herewith.

Where the description "Company" or "ALIC" appears herein, without qualification, it will be understood to indicate Alfa Life Insurance Corporation.

SCOPE OF EXAMINATION

We have performed our multi-state examination of Alfa Life Insurance Corporation (ALIC). The last examination covered the period of January 1, 2007 through December 31, 2011. This examination covers the period of January 1, 2012 through December 31, 2016.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination was conducted as a coordinated examination with the following affiliated companies: Alfa Mutual Insurance Company (AMIC) of Alabama, Alfa Mutual Fire Insurance Company (AMFIC) of Alabama, Alfa Mutual General Insurance Company (AMGIC) of Alabama, Alfa Insurance Corporation (AIC) of Alabama, Alfa General Insurance Corporation (AGIC) of Alabama, Alfa Specialty Insurance Corporation (ASIC) of Virginia, Alfa Vision Insurance Corporation (AVIC) of Virginia and Alfa Alliance Insurance Corporation (AAIC) of Virginia. These companies were coordinated with the Company's five-year examination with Alabama being the lead state. During planning, examiners from Alabama and Virginia interviewed the members of management and reviewed lines of business and systems utilized to determine what areas would be coordinated. The key activities to be coordinated fully with the two states were Investments, Related Party, and Capital and Surplus. The other key activities determined to be examined were Reserves/Claims Handling and Underwriting. In addition, the ALIC examination covered those issues identified during planning deemed immaterial to the coordinated examination but were material to the ALIC examination. Where deemed appropriate, transactions, activities and similar items subsequent to 2016 were reviewed.

The examination was conducted in accordance with applicable statutory requirements of the *Code of Alabama 1975*, as amended, the Alabama Insurance Department regulations, bulletins and directives and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices. All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment was documented separately following the Company's financial statements.

The Company's 2012 through 2016 annual statements were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information systems (IS) was conducted concurrently with the financial examinations of all the companies. The IS examination included a review of management and organizational controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls for all companies in the coordinated examination.

Alabama performed a market conduct examination concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims, policyholder complaints, marketing and sales, producers' licensing, policy forms and underwriting, and privacy standards. See "**MARKET CONDUCT ACTIVITIES**" on page 11 for further discussion of the Company's market conduct examination.

AMIC maintains an Audit Services (AudSvc) Department, which is charged with performing the internal audit function for all companies. The AudSvc Department is subject to oversight by the Audit Committee, which is comprised of all outside directors. Reports generated by the AudSvc Department were made available to the examiners and were used in the examination as deemed appropriate. Risk Management and Compliance works with each business unit to document the process workflow, evaluate risks to the process, identify controls to mitigate those risks, and periodically test the effectiveness of those controls as required by the NAIC Model Audit Rule. The examiners reviewed the controls and procedures tested and requested the workpapers for specific ones, which had been identified as significant to the key activities being examined. The workpapers were provided, were retested and were utilized where deemed appropriate.

PricewaterhouseCoopers, LLP was the Company's certified public accountant (PwC) for all years under examination. PwC's workpapers were reviewed and were used in the examination as deemed appropriate by the examiners.

A signed certificate of representation for ALIC was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2016.

This examination report includes significant findings of fact, as mentioned in the *Code of Alabama 1975*, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within

the examination report but separately communicated to other regulators and/or the Company.

ORGANIZATION AND HISTORY

The Company is the product of a merger between two Alabama domestic insurers; a brief history of each follows.

The Cotton States Life Insurance Company (CSL):

CSL was incorporated on December 4, 1954, in Dallas County, Alabama, to do business as a mutual aid, benefit and industrial company, with the powers and privileges prescribed by the State of Alabama. At incorporation, the authorized capital of CSL consisted of 150,000 shares of common stock with a par value of \$0.80 per share. The capital structure of CSL changed, as to the number of authorized shares and the par value of the shares, from the time of incorporation through the merger of CSL in 1973.

Federated Guaranty Life Insurance Company (FGL - Old):

FGL – Old was incorporated on October 22, 1971, in Montgomery County, Alabama. It was formed as a subsidiary of Alabama Farm Bureau Mutual Casualty Insurance Company, Inc. (AFBM), an Alabama company (currently, Alfa Mutual Insurance Company). The authorized capital of FGL - Old consisted of 3,000,000 shares of common stock with a par value of \$1 per share. FGL - Old started business with paid in capital of \$1,000,000, and paid in and contributed surplus of \$2,000,000 derived from the sale of 1,000,000 shares of authorized stock.

Federated Guaranty Life Insurance Company (FGL)

Effective December 31, 1973, FGL - Old was merged into CSL and the surviving corporation was named FGL. The authorized capital stock of FGL on the date of the merger consisted of 5,000,000 shares of common stock with a par value of \$1 per share. Each share of the capital stock of FGL – Old was automatically converted into a share of capital stock of the surviving corporation. The share certificates of FGL – Old were not necessary to be surrendered for the exchange of new certificates of FGL. Each share of the capital stock of CSL represented by \$2.50 par value common stock issued and outstanding at the effective date of merger, and the certificates were automatically converted into one and one-third shares of FGL capital stock. The shares of CSL capital stock, not surrendered for conversion into \$2.50 par value FGL capital stock, represented \$0.50 par value stock (some of which had been issued at \$0.80 par value) were automatically converted into 4/15th fractional shares of the capital stock of FGL.

Effective May 1, 1987, the Alabama Farm Bureau Federation withdrew from the national Farm Bureau Federation, of which it was a franchise member, and changed its name to Alabama Farmers Federation. The names of all the insurance companies within the group also changed. The name of the Company was changed from FGL to Alfa Life Insurance Corporation.

On December 31, 2016, the authorized capital was 5,000,000 shares, of which 4,211,498 shares were issued and outstanding at the rate of \$1 par value, per share, and the Gross paid and contributed surplus was \$54,616,411.

MANAGEMENT AND CONTROL

Stockholders

The Company is a stock corporation with ownership vested in its stockholder. At December 31, 2016, 100% of the issued and outstanding common stock was owned by Alfa Corporation. The controlling interest in Alfa Corporation is held by Alfa Mutual Insurance Company (65%) and Alfa Mutual Fire Insurance Company (35%).

Board of Directors

The Company's Bylaws were amended to provide for not less than three directors effective as of December 31, 2012. Directors are elected at the annual Stockholder's meeting and serve until their successors are elected and qualified, which is in accordance with the Company's Bylaws. The following directors were serving at December 31, 2016:

<u>Name and Residence</u>	<u>Principal Occupation</u>
James Louis Parnell Stanton, Alabama	Chairman of the Board
Stephen Goddard Rutledge Montgomery, Alabama	Treasurer
Angela Long Bradwell Montgomery, Alabama	Secretary

Officers

The Company's Bylaws provide that the officers shall consist of a Chairman of the Board, President, Executive Vice President, one or more Vice Presidents, Secretary and Treasurer. These officers shall be elected for one year by the Board of Directors at its annual meeting and shall hold office until their successors are elected and qualified.

The following officers were elected by the Board of Directors and were serving as of December 31, 2016:

<u>Name</u>	<u>Title</u>
James Louis Parnell	Chairman of the Board, President and Chief Executive Officer
Stephen Goddard Rutledge [#]	Executive Vice President, Operations and Treasurer
Angela Long Bradwell	Executive Vice President, General Counsel and Secretary
Alvin Howard Dees, Jr.	Executive Vice President, Marketing
William Scott Forrest	Executive Vice President, Administration
Russell John Sinco [*]	Senior Vice President and Chief Financial Officer
David Eugene Christenberry ^{**}	Senior Vice President, South Alabama
Mark Andrew Evans [#]	Senior Vice President, Mississippi Sales
Carol Lynn Golsan [#]	Senior Vice President, Marketing Services
John Delane Hemmings, Jr. [#]	Senior Vice President, Investments
Darrell Lee McNeal [#]	Senior Vice President, Georgia Sales
Robert Ernest Robison	Senior Vice President, Life Operations & Policy Administration
Michael Wayne Rowell [#]	Interim Senior Vice President, Chief Information Officer
John William Timmons	Senior Vice President, North Alabama
Jerry Franklin Enoch	Vice President, Life Actuary
Lisa Melton Farmer	Vice President, Risk Management & Compliance
Thomas Allen Foster	Vice President, Life Underwriting and Policy Owner Service
Tammy Renee Hackett	Vice President, Life & Investments Controller
Janice Thomason Hopkins	Vice President, Life Processing and Claims
Jeffrey Holland Nickles	Vice President, Tax Accounting
Rhonda Welch Sikes [#]	Vice President, Corporate Services and Reporting
Craig Miles Venable [#]	Vice President, Audit Services

* Resigned in 2017

**Deceased

[#]See Subsequent Events, page 26

Audit Committee

The Company appointed the Audit Committee of Alfa Mutual Insurance Company as the Audit Committee for the Company. The following individuals were serving as of December 31, 2016:

Curtis Dean Wysner, Chairman
Stephen Leonard Dunn
Jacob Calhoun Harper
George Ray Jeffcoat
Ronald Gray Vaughn, II

Conflict of Interest

The Company has a written policy, "Principles of Business Conduct" for the disclosure of conflicts between the Company's interests and personal interests of its officers and employees. The process is performed on a biennial basis and is monitored by the Risk Management and Compliance Department. There is not a written policy governing the Board of Directors' conflict of interest disclosures; however, Company procedures required the Directors to sign a written conflict of interest statement (statement) on an annual basis. These statements are maintained by the Company's legal department. The statements on file were reviewed and were determined to be complete and current. No material conflicts or exceptions were noted in the statements of the officers, employees or Board of Directors for the period under examination.

Dividends to Policyholders

The Company paid the following dividends to policyholders during the period covered by the examination:

Year	Amount
2012	\$4,471,733
2013	\$4,499,893
2014	\$4,664,789
2015	\$4,859,034
2016	\$4,890,975

CORPORATE RECORDS

The Articles of Incorporation and Bylaws, as amended, were inspected during the course of the examination and were found to provide for the Company's operation in accordance with the usual corporate practices and applicable statutes and regulations.

Minutes of meetings of the Stockholder, Board of Directors and Committees of the Company were reviewed for the period under examination. The minutes appeared to be complete with regard to recorded actions taken on matters before the respective bodies for deliberation and action.

HOLDING COMPANY & AFFILIATE MATTERS

Holding Company Registration

The Company is subject to the Alabama Insurance Holding Company Regulatory Act, as defined in ALA. CODE § 27-29-1 (1975), as amended. In connection therewith, the Company is registered with the Alabama Department of Insurance as joint registrant of an Insurance Holding Company System. The Company is responsible for holding company registration and periodic filings in accordance with ALA. CODE § 27-29-4 (1975) and ALA. ADMIN. CODE 482-1-055 (1994).

Appropriate filings required under the Holding Company Act were made from time to time by the Company. The examination did not determine that any required disclosures were excluded from the Company's filings.

Dividends to Stockholders

The following dividends were issued to the sole stockholder during the examination period:

<u>Year</u>	<u>Amount</u>
2012	\$ 0
2013	\$ 0
2014	\$10,000,000
2015	\$ 0
2016	\$ 0

Management and Service Agreements

Management and Operating Agreement

Alfa Mutual Insurance Company (AMIC) has a Management and Operating Agreement, (the M&O Agreement), under which AMIC provides substantially all of the facilities, management, and other operational services for Alfa Mutual Fire Insurance Company (AMFIC), Alfa Mutual General Insurance Company (AMGIC), Alfa Life Insurance Corporation (ALIC), Alfa Insurance Corporation (AIC), Alfa General Insurance

Corporation (AGIC), Alfa Specialty Insurance Corporation (ASIC), Alfa Alliance Insurance Corporation (AAIC), Alfa Vision Insurance Corporation (AVIC), Alfa Financial Corporation (AFC), Alfa Corporation (AC), and certain non-insurance subsidiaries and affiliates.

AMIC pays the employees for services rendered and is reimbursed on an allocated percentage basis. Each company may employ personnel in its own name, upon written consent of AMIC. The company will be solely responsible for the employment, supervision, payment and discharge of all such personnel.

Each company will pay and/or reimburse AMIC the percentages of expense incurred by AMIC, based on special expense allocation studies. The expense allocation rates are variable and are based upon business activity metrics that differ between companies, depending upon the type of business, marketing and distribution method, location, etc. The companies understand and agree that the metrics may change from time to time, and not every company will have the same metrics applied to its expense allocation. All books of accounts, documents and records relating to such expenses will at all times be open to inspection by the company to which the records are applicable.

The term of the M&O Agreement was for five years from January 1, 2010 to December 31, 2015, and automatically renews for additional periods of one year beginning January 1, 2016, unless terminated. AMIC and any company may terminate its participation by giving written notice to all parties not less than thirty days after delivery or mailing. In the event one or more companies terminate its participation, AMIC would reallocate the expense allocations on an equitable basis.

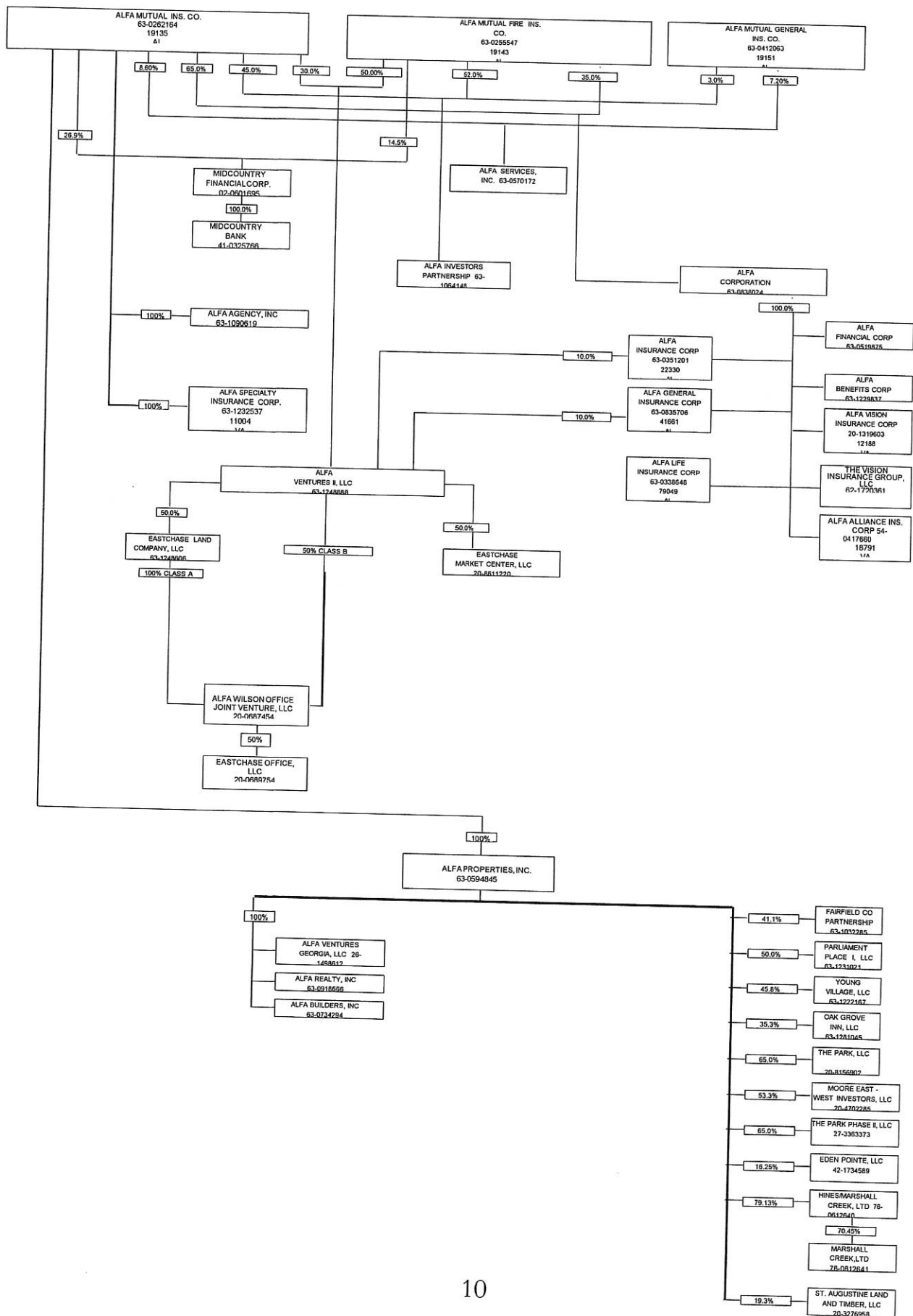
Consolidated Tax Allocation Agreement

Alfa Corporation (Parent) is a party to a Tax Allocation Agreement dated February 19, 2007 with AIC, AGIC, ALIC, AVIC, AAIC and various non-insurance subsidiaries. The Agreement allocates consolidated tax liability among the members and provides for allocation and payment of any refund.

The Agreement was amended and restated on April 11, 2014, having received approval from the ALDOI and Virginia Bureau of Insurance. The Agreement was amended to address (1) treatment of the net operating loss (NOL) carryovers; (2) allocation of alternative minimum tax (AMT) and related credits; and (3) due dates for refunds and payments.

Organizational Chart

The following chart represents the corporate affiliations of the Company as of December 31, 2016:



PENSION AND STOCK OWNERSHIP

The Company had no employees; therefore, it had no formal employee or agent welfare program. Its operations were conducted by the personnel of AMIC under the terms of the "Management and Operating Agreement" - page 8.

SCHEDULE OF SPECIAL DEPOSITS

The Company maintained the following deposits with the respective statutory authorities at December 31, 2016, as required or permitted by law:

<u>States</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
Alabama	\$ 508,292	\$ 519,649
Georgia	35,010	36,012
North Carolina	400,112	411,562
South Carolina	135,038	138,902
Virginia	413,154	419,876
Total	\$1,491,606	\$1,526,001

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following information presents significant items that reflect the growth of the Company for the period under review.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>
2012	\$1,295,446,088	\$1,093,027,032	\$202,419,057	\$148,011,560
2013	\$1,357,174,864	\$1,139,180,952	\$217,993,912	\$134,104,758
2014	\$1,317,983,072	\$1,091,128,378	\$226,854,694	\$143,306,389
2015	\$1,377,132,501	\$1,141,511,278	\$235,621,224	\$151,210,089
2016	\$1,375,463,564	\$1,125,979,821	\$249,483,743	\$151,060,042

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company wrote the following business: Life, Annuity, Accident & Health, Sickness, Disability and Credit Life. The products were marketed in the state of Alabama with sales offices located in every county in the state. The life policies were sold by employed agents

located in Alabama. All Alabama agents were licensed in property and casualty and life and health.

As of December 31, 2016, the Company's business was produced from 384 service centers throughout Alabama, Georgia and Mississippi. At December 31, 2016, there were 429 licensed producers and 539 customer service representatives (CSRs) in Alabama; 107 licensed producers and 49 CSRs in Georgia; and 130 licensed producers and 49 CSRs in Mississippi.

Territory

As of December 31, 2016, the Company was licensed to transact insurance business in the following states:

Alabama	Arkansas	Florida	Georgia
Louisiana	Mississippi	Missouri	North Carolina
South Carolina	Tennessee	Virginia	

Marketing and Sales

The Company's advertising materials were reviewed for the examination period. The examiners' review did not reveal any advertisements that misrepresented policy benefits, made unfair or incomplete comparisons with other policies, or made false, deceptive or misleading statements or representations.

The Company's web site <https://www.alfainsurance.com> was reviewed and found to include the following links: Auto, Life, Home, and Membership. Also, the site provided links to finding an agent, getting a quote, customer care, reporting a claim and making a payment.

Per Company management, producers are instructed not to create their own material, if they wish to receive co-op reimbursement. Any material created by the producer has to be reviewed by the Vice President of Integrated Marketing, and Legal must review the material and approve or deny the request.

Claims

Paid Claims

A sample of 109 Alabama paid claims were selected from a total population of 11,826 paid claims for the examination period (2012-2016). The sample was reviewed for compliance with the Company's policy provisions, timeliness of payments and adequacy of documentation. No significant discrepancies were found.

Denied Claims

Due to the population size of the denied claims, the examiner reviewed all 84 items for the examination period (2012-2016). A review of the documentation for the sample was made to determine if it supported or justified the ultimate claim determination and whether the Company complied with ALA. ADMIN. CODE 482-1-124 (2003). There were no discrepancies found.

Complaints

During the examination period, there was a total of 35 Alabama life complaints in the Company's complaint register. The examiners reviewed all 35 complaints. The Company appropriately maintained the following information in its complaint register: line of business, function and reason for the complaint.

The Company's responses fully addressed the issues raised, and the complaints were appropriately resolved within the required timeframe. The Company recorded all complaints, both consumer direct and from the Department of Insurance. Based on the review of the Company's complaint procedures, it was determined that the Company had a sufficient method for the distribution of obtaining and recording responses to complaints. The Company's telephone number and address were provided to the policyholders for consumer inquiries and/or complaints.

Producers' Licensing

Appointments

The examiner selected a random sample of 120 new Alabama business transactions from a population of 39,832,086 transactions during the examination period. The examiner verified that the producer held a current license and was appointed with the Company prior to writing the business.

Terminations

The examiner selected a sample of 84 producers from a population of 236 Alabama terminated producers. The examiner determined that the Alabama Department of Insurance (ALDOI) was not notified of the termination of one producer within thirty days following the effective date of the termination. The Company did not comply with ALA. CODE § 27-7-30 (e) (1975), which states:

Subject to the producer's contract rights, if any, an insurer or authorized representative of the insurer may terminate a producer's appointment at any time. An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer for any reason shall

within 30 days following the effective date of the termination, using a format prescribed by the commissioner, give notice of the termination to the commissioner.

Underwriting and Rating

A review of the underwriting manual utilized by the Company did not evidence any discriminatory guidance for underwriters in the risk selection process. The medical information in the manual was appropriate for assessing an applicant's risk based upon specific medical conditions.

The examiner verified samples of Alabama policy premiums, policies issued, rejected applications for insurance, terminated policies and lapsed policies for compliance with Alabama statutes and regulations. A sample of 116 Alabama new business policies were selected from a total population of 1,330,371 transactions for the examination period (2012-2016). The Company's Alabama policyholders' policy premiums were recalculated, were in accordance with Company's underwriting guidelines and rates and were issued in a timely manner.

A sample of 116 Alabama rejected applications were selected from a total population of 13,051 for the examination period (2012-2016). The sample reviewed of rejected applications indicated they were denied in a nondiscriminatory manner and were for underwriting reasons.

The examiners reviewed both insured requested and Company initiated cancellations. A sample of 116 Alabama insured requested cancellations were selected from a total population of 26,042 for the examination period (2012-2016). There was also a sample of 116 Alabama Company initiated cancellations selected from a total population of 59,642 for the examination period (2012-2016). The sample of policy cancellations indicated the cancellations were handled in a timely manner without an excessive amount of paperwork.

Life insurance rates are not required to be filed with the Alabama Department of Insurance.

Privacy

The Company's Privacy Notice disclosed the types of information collected, the way the information is used, the manner in which information is collected and how the information is protected. The Privacy Notice also specifically stated the customers' rights, and the Company does not disclose any information to any nonaffiliated third parties unless permitted to do so by law.

REINSURANCE

Reinsurance Assumed

The Company had no reinsurance assumed at December 31, 2016.

Reinsurance Ceded

The Company's ceded reinsurance program consisted of automatic coinsurance agreements and yearly renewable term reinsurance agreements with an option to negotiate facultative reinsurance over the reinsurer's maximum limits. The reinsurance contracts were negotiated with eight active reinsurers for its "Life" and one active reinsurer for its "Accident & Health" insurance products.

The reinsurance agreements in force at December 31, 2016, had effective dates ranging from January 1, 1972 to April 1, 2015. The historical retention amounts on ordinary life policies were summarized in the following table:

<u>Year</u>	<u>Standard Thru Table C</u>	<u>Table D and Up</u>
1972 – 08/31/80	\$ 50,000	\$25,000
9/01/80 – 04/30/82	\$ 75,000	\$40,000
5/01/82 – 06/30/89	\$100,000	\$50,000
	<u>Standard Thru Table D</u>	<u>Table E and Up</u>
7/01/89 – 10/31/97	\$200,000	\$100,000
11/01/97 – 02/28/03	\$350,000	\$200,000
3/01/03 – 12/31/16	\$500,000	\$300,000

Alfa will automatically cede cases to a reinsurance company when coverage exceeds retention on a "per life" basis.

Schedule S-Part 3 Section 1 of the 2016 Annual Statement reflected that the reserve credit taken by the Company was \$8,683,319 and ceded premiums were \$6,885,727 at year-end 2016.

The examiners reviewed the Company's active reinsurance treaties. The Company had three new reinsurance agreements with the following companies: Hannover Life Reassurance Company of America, RGA Reins Company and Swiss Re Life and Health American Inc. A review of the Company's reinsurance treaties noted the Company's reinsurance contracts transferred risk, complied with state law requirements and were in compliance with the NAIC *Accounting Practices and Procedures Manual*. The significant reinsurance treaties active as of December 31, 2016 were:

SCOR Global Life USA Reinsurance Company
F/k/a Generali USA Life Reassurance Company

Treaty Number	200001-007		
Type	Automatic Reinsurance Agreement		
Plans Covered	<u>Plan Name</u>	<u>Plan Code</u>	
	<ul style="list-style-type: none">• Universal Life U03, U05, U07• 10, 15 & 20 Year Level Term Riders• Single and Joint Decreasing Term Riders		
Coverage	Surnames beginning with letters L-Z Effective 12/1/14, Surnames beginning with letters A-Z		
Retention		<u>Std to Table D</u>	<u>Table E and Above</u>
	01/01/98 – 02/28/03	\$ 350,000	\$ 200,000
	03/01/03 – Present	\$ 500,000	\$ 300,000
Limit	Jumbo limits:		
	<ul style="list-style-type: none">• Life: 10,000,000 Automatic binding limits: <ul style="list-style-type: none">• Four (4) times the retention of the ceding company		
Amendment	Amendments/Addendums: February 7, 2017; December 1, 2014; January 1, 2009; March 14, 2003; March 1, 2003; February 1, 2000 and July 1, 1989		
Insolvency	Standard insolvency language without cut-through provisions		
Termination Provision	Ninety (90) days written notice		

SCOR Global Life USA Reinsurance Company
F/k/a Generali USA Life Reassurance Company

Treaty Number	198601.5		
Type	Automatic YRT		
Plans Covered	<u>Plan Name</u>	<u>Plan Code</u>	
	• ISP	611, 613	
Coverage	ISP – Surnames beginning with letters L-Z Effective December 1, 2014 Surname Alphabetic Division shall be A - Z		
Retention		<u>Std to Table C</u>	<u>Table D and Above</u>
	5/1/82 – 6/30/89	\$ 100,000	\$ 50,000

	<u>Std to Table D</u>	<u>Table E and Above</u>
	7/1/89 – 10/31/97	\$ 200,000
	11/1/97 – 2/28/03	\$ 350,000
	03/01/03 – Present	\$ 500,000
Limit	Jumbo limits: • Life: 10,000,000 Automatic binding limits: • Four (4) times the retention of the ceding company	
Amendment	Amendment/Addendum/Recapture/Novation Agreement: February 7, 2017; December 1, 2014; January 1, 2009; August 7, 2008; April 1, 2008; March 14, 2003; March 1, 2003; November 1, 1997; October 1, 1989, and July 1, 1989	
Insolvency	Standard insolvency language without cut-through provisions	
Termination Provision	Ninety (90) days written notice	

SCOR Global Life USA Reinsurance Company
f/k/a Generali USA Life Reassurance Company

Treaty Number	200501.025	
Type	Automatic YRT	
Plans Covered	<u>Plan Name</u>	<u>Plan Code</u>
	• 10 Year Level Term	721, 731, 751
	• 15 Year Level Term	723, 733, 753
	• 20 Year Level Term	725, 735, 755
	• 25 Year Level Term	727, 757
	• 30 Year Level Term	729, 759
	Effective 1/1/2006 - LT 20 with ROP Rider	
Coverage	LT - Surnames beginning with letters A-K	
Retention	<u>Std to Table D</u>	<u>Table E and Above</u>
	1/1/98 – 2/28/03	\$ 350,000
	3/01/03 – Present	\$ 500,000
Limit	Jumbo limits: • Life: 10,000,000 Automatic binding limits:	

	<ul style="list-style-type: none"> Four (4) times the retention of the ceding company
Amendment	Amendment: December 31, 2013; May 11, 2012; September 8, 2010; September 8, 2008; August 7, 2008; April 1, 2008 and March 7, 2006,
Insolvency	Standard insolvency language without cut-through provisions
Termination Provision	Ninety (90) days written notice

Hannover Life Reassurance Company of America

Treaty Number	HA3348/Alfa-01		
Type	Automatic/Facultative YRT Reinsurance Agreement		
Plans Covered	<u>Plan Name</u>	<u>Plan Code</u>	
	<ul style="list-style-type: none"> 10 Year Level Term 15 Year Level Term 20 Year Level Term 25 Year Level Term 30 Year Level Term 30 Year ROP Conversions to ISP or UL from level term products covered under this agreement ISP or UL products can be ceded as new business on a facultative basis 	<ul style="list-style-type: none"> 761 763 765 767 769 746 	
Coverage	Surnames beginning with letters A-K		
Retention	Std to Table D Table E and Above		
	12/01/2012 – Present	\$ 500,000	\$ 300,000
Limit	Limits:		
	<ul style="list-style-type: none"> Jumbo limit: \$10,000,000 		
Amendment	Binding Limits:		
	<ul style="list-style-type: none"> Issue amount is five times the ceding company's retention, not to exceed \$2,500,000. 		
Amendment	Amendment: January 1, 2017 (2 amendments), December 1, 2014; December 1, 2012 and August 1, 2003		

Insolvency	Standard insolvency language without cut-through provisions
Termination Provision	Ninety days written notice

RGA Reinsurance Company

Treaty Number	13321-00-00		
Type	Automatic/Facultative YRT Reinsurance Agreement		
Plans Covered	<u>Plan Name</u>	<u>Plan Code</u>	
	• 10 Year Level Term	761	
	• 15 Year Level Term	763	
	• 20 Year Level Term	765	
	• 25 Year Level Term	767	
	• 30 Year Level Term	769	
	• 30 Year ROP	746	
	• Conversions to ISP or UL from level term products covered under this agreement		
Coverage	Surnames beginning with letters L-Z		
Retention	Std to Table D		Table E and Above
	3/01/03 – Present	\$ 500,000	\$ 300,000
Limit	Limits:		
	• Jumbo limit: \$10,000,000		
	Binding Limits:		
	• Issue amount is five times the ceding company's retention, not to exceed \$2,500,000.		
Amendment	Amendment/Addendum: June 1, 2016; July 1, 2014; August 1, 2013 and December 1, 2012		
Insolvency	Standard insolvency language without cut-through provisions		
Termination Provision	Ninety days written notice		

Swiss Reinsurance Life & Health of America, Inc.

Treaty Number	G552188US-15
Effective	April 1, 2015

Status	Active
Type	Automatic Reinsurance Agreement/Facultative
Plans Covered	<u>COLI</u> Employee Group, Including DBO Federation Group Term Employee Group Term
Coverage	Group business which is inforce as of the effective date or is written by Company with policy period (new or renewal) effective during the term of the agreement.
Retention	\$100,000 per person, per policy
Limit	Excess over retention not to exceed \$3,000,000
Recapture	After the expiration of the initial 2-year agreement period with 90 days' prior written notice.
Amendment	Amendment #1, dated May 1, 2017 and effective April 1, 2015, revised the conversion wording in Exhibit C-1, Terms and Rates of COLI Inforce Block.
Insolvency	Standard insolvency language without cut-through provisions
Termination Provision	90 days written notice.

Schedule S-Part 3 Section 2 of the 2016 Annual Statement indicated that the Company's ceded reinsurance program for Accident & Health Insurance policies encompassed an agreement with Lincoln Nation Life Insurance Company. The agreement was effective January 1, 1972 and was updated in 2000 and 2003. At December 31, 2016, the reserve credit taken by the Company was \$563,957 and the ceded premiums were \$308,175.

ACCOUNTS AND RECORDS

The Company utilizes a centralized processing environment for the majority of its daily business requirements. This environment includes mainframe operations, server clusters, as well as midrange (IBM AS400) computers at AVI & AAI. The Company operates a web site that has limited commerce functionality. Overall, the Company has a highly complex Information Technology environment.

FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Company with the State of Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

Statement of Assets	22
Statement of Liabilities, Surplus and Other Funds.....	23
Summary of Operations.....	24
Capital and Surplus Account.....	25

Alfa Life Insurance Corporation
Statement of Assets
For the Year Ended December 31, 2016

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 981,577,291	\$ 162	\$ 981,577,129
Stocks:			
Preferred Stocks	14,957,433	-	14,957,433
Common Stocks	103,316,255	-	103,316,255
Cash, cash equivalents and short-term investments	74,210,285	-	74,210,285
Contract loans	78,165,798	342,500	77,823,298
Other invested assets	93,172,452	-	93,172,452
Subtotals, cash and invested assets	\$ 1,345,399,514	\$ 342,662	\$ 1,345,056,851
Investment income due and accrued	11,076,903	-	11,076,903
Premium and considerations:			
Uncollected premiums and agents' balances in the course of collection	695,663	-	695,663
Reinsurance:			
Amounts recoverable from reinsurers	87,240	-	87,240
Net deferred tax asset	27,212,503	8,668,399	18,544,104
Electronic data processing equipment and software	8,211,670	8,211,670	-
Receivables from parent, subsidiaries and affiliates	2,802	-	2,802
Health care (\$0) and other amounts receivable	6,893	6,893	-
Aggregate write-ins for other-than-invested assets	83,344	83,344	-
Total	\$ 1,392,776,532	\$ 17,312,968	\$ 1,375,463,564

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

Alfa Life Insurance Corporation
Statement of Liabilities, Surplus and Other Funds
For the Year Ended December 31, 2016

LIABILITIES

Aggregate reserve for life contracts	\$ 1,030,241,778
Aggregate reserve for accident and health contracts	765,763
Liability for deposit-type contracts	20,129,688
Contract claims:	
Life	9,025,071
Accident and Health	100,583
Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:	
Dividends apportioned for payment	5,056,165
Premiums and annuity considerations for life and accident and health contracts received in advance	340,281
Contract liabilities not included elsewhere:	
Surrender values on canceled contracts	36,191
Interest Maintenance Reserve	9,343,290
Commissions to agents due or accrued	993,094
General expenses due or accrued	1,057,496
Taxes, licenses and fees due or accrued, excluding federal income taxes	133,967
Current federal and foreign income taxes	2,041,898
Unearned investment income	11,531
Amounts withheld or retained by company as agent or trustee	8,108
Remittances and items not allocated	148,212
Miscellaneous liabilities:	
Asset valuation reserve	34,397,731
Payable to parent, subsidiaries and affiliates	6,942,964
Aggregate write-ins for liabilities	5,206,011
Total Liabilities	\$ 1,125,979,821
CAPITAL AND SURPLUS	
Common capital stock	4,211,498
Gross paid in and contributed surplus	54,616,411
Aggregate write-ins for special surplus funds	32,459,437
Unassigned funds	158,196,397
Surplus	245,272,245
Total Capital and Surplus	249,483,743
Total Liabilities, Capital and Surplus	<u>\$ 1,375,463,564</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

Alfa Life Insurance Corporation
Summary of Operations
For the Years Ended December 31, 2016, 2015, 2014, 2013, 2012

	2016	2015	2014	2013	2012
Premiums and annuity considerations for life and accident and health contracts	\$ 151,060,042	\$ 151,210,089	\$ 143,306,389	\$ 134,104,758	\$ 148,011,560
Considerations for supplementary contracts with life contingencies	-	407,223	-	46,698	92,602
Net investment income	50,307,461	43,304,022	47,047,544	47,158,093	47,470,952
Amortization of Interest Maintenance Reserve	1,751,392	1,518,555	1,619,957	1,755,152	1,176,127
Commissions and expense allowances on reinsurance ceded	304	2,027	2,027	2,027	2,643
Aggregate write-ins for miscellaneous income	7,304	27	0	0	0
Totals	<u>203,126,504</u>	<u>196,441,943</u>	<u>191,975,917</u>	<u>183,066,728</u>	<u>196,753,884</u>
Death benefits	69,264,766	62,835,494	59,542,509	57,478,699	55,498,322
Matured endowments	51,453	46,615	48,826	129,779	25,852
Annuity benefits	1,018,034	1,943,066	804,195	1,341,960	615,066
Disability benefits and benefits under accident and health contracts	963,057	1,358,130	958,893	1,154,005	837,061
Surrender benefits and withdrawals for life contracts	95,479,384	26,628,902	126,053,734	29,397,727	30,334,615
Interest and adjustments on contract or deposit-type contract funds	1,091,845	1,044,992	1,018,129	986,031	987,963
Payments on supplementary contracts with life contingencies	115,398	103,916	89,430	85,547	79,163
Increase in aggregate reserves for life and accident and health contracts	<u>-24,679,781</u>	<u>45,082,128</u>	<u>-56,620,379</u>	<u>32,556,096</u>	<u>43,341,239</u>
Totals	<u>143,304,156</u>	<u>139,043,243</u>	<u>131,895,338</u>	<u>123,129,844</u>	<u>131,719,281</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	12,664,642	12,244,437	10,955,077	9,836,717	10,102,528
General insurance expenses	25,050,130	23,719,955	20,679,978	21,637,640	23,224,287
Insurance taxes, licenses and fees	4,670,240	4,614,253	4,331,349	4,107,799	3,944,984
Increase in loading on deferred and uncollected premiums	61,760	-13,227	1,735	21,494	-29,356
Aggregate write-ins for deductions	<u>-18,424</u>	<u>83,928</u>	<u>88,714</u>	<u>39,534</u>	<u>22,837</u>
Totals	<u>185,732,504</u>	<u>179,692,588</u>	<u>167,952,191</u>	<u>158,773,028</u>	<u>168,984,560</u>
Net gain from operations before dividends to policyholders and federal income taxes	17,394,000	16,749,354	24,023,726	24,293,700	27,769,324
Dividends to policyholders	<u>4,890,975</u>	<u>4,859,034</u>	<u>4,664,789</u>	<u>4,499,893</u>	<u>4,471,733</u>
Net gain from operations after dividends to policyholders and before federal income taxes	12,503,025	11,890,320	19,358,937	19,793,807	23,297,591
Federal and foreign income taxes incurred	<u>4,913,437</u>	<u>4,249,019</u>	<u>5,240,229</u>	<u>6,052,645</u>	<u>7,686,846</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	7,589,588	7,641,301	14,118,708	13,741,162	15,610,745
Net realized capital gains (losses)	<u>1,276,654</u>	<u>4,171,182</u>	<u>9,214,763</u>	<u>12,105,134</u>	<u>-4,146,800</u>
Net income	<u>\$ 8,866,242</u>	<u>\$ 11,812,483</u>	<u>\$ 23,333,471</u>	<u>\$ 25,846,296</u>	<u>\$ 11,463,945</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

Alfa Life Insurance Corporation
Capital and Surplus Account
For the Years Ended December 31, 2016, 2015, 2014, 2013, 2012

	2016	2015	2014	2013	2012
Capital and surplus, December 31, prior year	\$235,621,224	\$226,854,694	\$217,993,912	\$202,419,057	\$188,027,868
Net income	8,866,242	11,812,483	23,333,471	25,846,296	11,463,945
Change in net unrealized capital gains	5,866,806	-118,624	4,005,145	3,067,243	6,967,686
Change in net deferred income tax	5,130,735	1,557,426	-1,721,656	-3,390,822	-3,182,338
Change in nonadmitted assets	-1,335,248	-1,592,110	775,876	586,270	5,119,954
Change in reserve on account of change in valuation basis	-5,046,369	-	-	-	-
Change in asset valuation reserve	-2,009,713	-2,892,645	-7,532,054	-10,534,132	-5,978,058
Dividends to stockholders	-	-	-10,000,000	-	-
Aggregate write-ins for gains and losses in surplus	<u>2,390,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in capital and surplus for the year	<u>13,862,520</u>	<u>8,766,530</u>	<u>8,860,782</u>	<u>15,574,855</u>	<u>14,391,189</u>
Capital and surplus, December 31, current year	<u>\$249,483,743</u>	<u>\$235,621,224</u>	<u>\$226,854,694</u>	<u>\$217,993,912</u>	<u>\$202,419,057</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1- Analysis of Changes to Surplus

There were no adjustments made to surplus.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The Company has committed to invest \$32,234,897 in partnerships, which are investments in joint ventures, partnerships and limited liability companies under SSAP No. 48 – *Joint Ventures, Partnerships and Limited Liabilities Companies*. These funds are reported as special surplus funds. The Company has committed to spend \$224,540 to several vendors, none of which are investments in an SCA entity under SSAP 97 or joint ventures, partnerships or limited liability companies under SSAP 48, in order to implement a new policy administration system and other technology initiatives.

Additionally, the Company has committed \$10,427,981 in Low Income Housing Tax Credit (LIHTC) limited partnerships accounted for under SSAP No. 93 - *Low Income Housing Tax Credit Property Investments*. As of December 31, 2016, the Company has unfunded investments in these LIHTC limited partnerships that are expected be settled totaling \$2,565,969. The required holding period for LIHTC investments is fifteen years, and the Company has ten, five and two years remaining in three funds.

The review of contingent liabilities and pending litigation included an inspection of representations made by management to the Company's independent certified public accountants regarding the Company and its affiliates, a review of the report on litigation and claims made by the Company's management, and a general review of the Company's records and files conducted during the course of the examination, including a review of claims. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2016 examination date was completed. The review of subsequent events included an inspection of the general journal entries, minutes of meetings, interim financial statements and an inquiry of accounting matters. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome. Subsequent to the examination date, the following changes in officers were noted:

Changes in Officers:

- John Delane Hemmings was appointed Chief Financial Officer replacing Russell John Sinco.
- Mark Andrew Evans was appointed Senior Vice President – South Alabama Sales.
- Darrell Lee McNeal was appointed Senior Vice President – Georgia and Mississippi Sales
- Stephen Goddard Rutledge- Executive Vice President of Operations and Treasurer, retired effective February 1, 2018.
 - William Thomas Coshatt Jr. (former Senior Vice President- P&C Underwriting) was appointed as Mr. Rutledge's replacement.
- Craig Miles Venable was appointed Senior Vice President – Chief Risk, Compliance and Privacy Officer.
- Michael Wayne Rowell was appointed Senior Vice President – Strategic Initiatives/Chief Information Officer.
- Carol Lynn Golsan, Senior Vice President – Marketing Services, retired effective February 1, 2018. A replacement has not been named.
- Rhonda Welch Sikes' title was changed to Director – Reporting.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination with regard to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company had satisfactorily complied with prior examination recommendations except for the following:

Producer Termination Notifications

In the prior examination report, it was recommended that the Company send notification of terminations of its producers within thirty days in compliance with ALA. CODE § 27-7-30(e) (1975), which states:

Subject to the producer's contract rights, if any, an insurer or authorized representative of the insurer may terminate a producer's appointment at any time. An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer for any reason shall within 30 days following the effective date of the termination, using a

format prescribed by the commissioner, give notice of the termination to the commissioner.

COMMENTS AND RECOMMENDATIONS

Producers' Licensing – Page 13

It is recommended that the Company send termination notifications to the Alabama Department of Insurance within 30 days of the date of termination of the producer as required by ALA CODE § 27-7-30(e)(1975), which states:

Subject to the producer's contract rights, if any, an insurer or authorized representative of the insurer may terminate a producer's appointment at any time. An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer for any reason shall within 30 days following the effective date of the termination, using a format prescribed by the commissioner, give notice of the termination to the commissioner.

CONCLUSION

Acknowledgment is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, James Davis, Theo Goodin, MCM, Mark Jaster, CFE, Mary Packard, CPA, CFE, Mora Perkins-Taylor, MCM, Kristina Rhodes, Charles Turner, CISA, Kizzy Williams, Harland Dyer, ASA, MAAA, actuarial examiner, all representing the Alabama Department of Insurance, participated in certain phases of this examination:

Respectfully submitted,



Rhonda B. Ball, CFE,
Examiner-in-Charge
State of Alabama Department of Insurance